

Message Text

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PAGE 01 BUDAPE 02335 150907Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00
EB-07 COME-00 FRB-03 DODE-00 AGRE-00 /069 W
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FM AMEMBASSY BUDAPEST
TO USMISSION NATO
INFO SECSTATE WASHDC 8923

C O N F I D E N T I A L BUDAPEST 2335

E.O. 11652: GDS
TAGS: EGEN, EEWT, ETRD, HU
SUBJECT: ECONADS: WORKING PAPER 522 ON HUNGARIAN ECONOMIC
SITUATION

1. EMBASSY JUST RECEIVED ECONAD WORKING PAPER REFERRED
TO ABOVE (DATED JULY 1) AND BELIEVES IT TO BE ONE OF THE
BEST NATO REPORTS YET SEEN ON HUNGARIAN ECONOMIC SITUATION.
EMBASSY SPECIALLY PLEASED WITH PRESENTATION OF FOREIGN
TRADE DATA.

2. EMBASSY WOULD ONLY SUGGEST MINOR MODIFICATIONS.
PARAGRAPH ONE REFERS TO "PER CAPITA REAL WAGE INCREASE"
IN 1976 OF ONE PERCENT. THIS SENTENCE SHOULD READ "PER
CAPITA REAL INCOME INCREASE", SINCE ONE-HALF OF THE ONE
PERCENT RISE WAS DUE TO NON-WAGE PAYMENTS IN SOVIAL
GOODS AND SERVICES. POOR SUPPLY OF CONSUMER GOODS
REFERRED TO IN SAME PARAGRAPH WAS, IN EMBASSY'S EXPERIENCE,
MOSTLY LIMITED TO AGRICULTRUAL PRODUCTS.

3. DISCUSSION OF 1976 AGRICULTURAL PROBLEMS IN PARAGRAPH
FIVE, WHICH CORRECTLY HIGHLIGHTS UNFAVORABLE WEATHER
AND LACK OF MODERN FARM MACHINERY, OVERLOOKS IMPORTANT
CONTRIBUTOR TO DOWNTURN IN PORK AND VEGETABLE PRODUCTION:
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LACK OF INCENTIVES FOR PRIVATE PLOTS. RUMORED HIGHER
TAXES LED TO LOWER-THAN-HOPED-FOR ACREAGE PLANTED IN
VEGETABLES AND SLAUGHTER OF PIGS WHICH COINCIDED WITH
LOW POINT IN HOG CYCLE. GOH HAS TANEN SEVERAL MEASURES
TO OVERCOME THESE SHORTCOMINGS AND SITUATION HAS ALREADY
TURNED AROUND AS OF MID-1977.

4. PARAGRAPH 13 NOTES THAT PRIVATE PLOTS PRODUCE 25 PERCENT OF HUNGARY'S PIGS; GOH HAS REPEATEDLY SAID THAT 53-54 PERCENT OF PORK PRODUCTION RESULTS FROM PRIVATE HOUSEHOLD PLOTS.

5. FINALLY, EMBASSY WOULD HESITATE TO CONVERT 45 BILLION-FORINT SPECIAL FUND (PARAGRAPH 21) INTO 1.1 BILLION DOLLARS. THAT PART OF THE CREDIT EXTENDED BY THE NATIONAL BANK TO HUNGARIAN COMPANIES FOR THE IMPORT OF HARD CURRENCY GOODS CAN BE SO CONVERTED, BUT A LARGE PORTION OF THE FUND WILL BE USED FOR DOMESTIC OR FOR RUBLE PURCHASES; THERE IS NO RELIABLE WAY TO CONVERT THESE FORINTS INTO DOLLARS.

6. ABOVE COMMENTS ARE OF MINOR IMPORTANCE, AND OVERALL REPORT IS ACCURATE AND REFRESHINGLY CONCISE.
MUDD

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Message Attributes

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Sent Date: 15-Jul-1977 12:00:00 am
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Disposition Approved on Date:
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